

Message Text

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ORIGIN ARA-06

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 SP-02 NSC-05 NSCE-00

PM-03 L-01 SSO-00 INRE-00 RSC-01 /041 R

DRAFTED BY ARA-EP/E:WCLARKE:ET
APPROVED BY ARA-EP:SMPRINGLE
EB/ORF/FSE:MCREEKMORE(DRAFT) '
EB/IFO/OIA:DSTEBBING(DRAFT)

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O R 152119Z OCT 74
FM SECSTATE WASHDC
TO AMEMBASSY QUITO IMMEDIATE
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L STATE 226618

LIMDIS

E.O. 11652: GDS
TAGS: ENRG, PGOV, EC
SUBJECT: TEXACO-GULF PROBLEM
REF : QUITO 6779, STATE 226121

1. MEETING IN DEPARTMENT WITH TEXACO VICE-PRESIDENT
SHIELDS INDICATES THAT TEXACO-GULF NOW IS INTENT ON
DEMONSTRATING ITS SERIOUSNESS TO THE GOVERNMENT BUT
WILL MAKE EVERY EFFORT TO AVOID ANY KIND OF CONFRONTATION
WHICH WOULD LEAD TO PUBLIC CONTROVERSY. SHIELDS
SUGGESTED THE POSSIBILITY OF A "SMALL SOLUTION",
WHICH WOULD INVOLVE NOTIFICATION TO OWNER OF ONE OF
THREE OIL RIGS WORKING FOR T-G IN ECUADOR OF INTENTION
TO CANCEL CONTRACT AT END OF 30 DAYS. THE RIG IN
QUESTION, BELIEVED ONE OF TWO OWNED BY PARKER DRILLING,
IS SUPPOSED TO START DRILLING ON A NEW LOCATION THIS
WEEK, AND WILL COMPLETE THAT JOB IN ABOUT SIX WEEKS.
IN THE REQUEST FOR PERMISSION FROM GOE TO CLOSE DOWN
THIS RIG, T-G WILL NOTE IN WRITING THE CLOSING FOR
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TECHNICAL CONSIDERATIONS RELATED TO THE NUMBER OF

WELLS PERMITTED BY THE GOE. HOWEVER, ORALLY TO MINISTER SALAZAR AND THE PRESIDENT, T-G WILL INDICATE THAT CANCELLATION OF CONTRACT IS DUE TO THE DIFFICULT ECONOMIC POSITION IN WHICH T-G NOW FINDS ITSELF. IN FACT, SHIELDS EXPLAINED THAT RED TAPE RESULTING FROM GOE TECHNICAL LIMITATIONS HAVE ALREADY FORCED T-G TO CANCEL THE CONTRACTS FOR TWO OTHER RIGS OPERATING IN

ECUADOR DURING THE PAST SEVERAL MONTHS AND THE SAME CONSIDERATIONS REALLY MAKE IT DIFFICULT TO EMPLOY THE THIRD RIG.

2. SHIELDS PLANS TO ARRIVE IN QUITO ON OCTOBER 21. HE HAS REQUESTED AN APPOINTMENT WITH MINISTER-DESIGNATE SALAZAR FOR THE NEXT DAY. SHIELDS WILL ATTEMPT .CONTACT THE AMBASSADOR PRIOR TO THE AMBASSADOR'S DEPARTURE ON CONSULTATION. SHIELDS HOPES TO BE ABLE TO PRESENT TO THE MINISTER ON THE 22ND AND THE PRESIDENT ON THE 24TH THE ECONOMIC REALITIES OF ECUADOREAN CRUDE ON THE WORLD MARKET AND WILL PROPOSE HOW INTERNAL ADJUSTMENTS AND CLARIFICATIONS WITHIN THE ECUADOREAN PETROLEUM REGULATIONS CAN BE HANDLED SO THAT T-G CAN CONTINUE PROFITABLE OPERATIONS IN THAT COUNTRY. SHIELDS SAID THAT THIS CAN BE DONE WITHOUT FORCING THE PRESIDENT PUBLICLY TO CHANGE GOVERNMENT POSITIONS ON CURRENT TAXATION AND TRV.

3. SHIELDS BELIEVES THAT ANY ATTEMPT BY THE USG TO INTERVENE ON T-G'S BEHALF AT THIS STAGE WOULD HAVE NEGATIVE RESULTS. HOWEVER, HE ASKS FOR THE AMBASSADOR'S VIEWS ON THE "SMALL SOLUTION". HE HOPES TO BE ABLE TO NOTIFY THE DRILLING COMPANY ON THURSDAY, OCTOBER 17, OF POSSIBILITY OF CONTRACT CANCELLATION.

4. THE EMBASSY IS REQUESTED TO GIVE ITS REACTIONS SOONEST. INGERSOLL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, COMPENSATION, DISPUTES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE226618
Document Source: CORE
Document Unique ID: 00
Drafter: EP/E:WCLARKE:ET
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740293-0195
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741045/aaaabmbe.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: QUITO 6779, STATE 226121
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 SEP 2002 by WorrelSW>; APPROVED <04 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TEXACO-GULF PROBLEM
TAGS: ENRG, PGOV, EC, US, TEXACO, GULF
To: QUITO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005